



## LEGISLATORS SHOULD SUPPORT AB 2048, A BIPARTISAN PROPOSAL FOR INTEREST EQUITY

Michelle Steel, Vice Chair, State Board of Equalization

April 9, 2012

*[Publisher's Note: As part of an ongoing effort to bring original, thoughtful commentary to you here at the FlashReport, I am pleased to present this column from Board of Equalization Member Michelle Steel. - Flash]*

*If you are new to the FlashReport, please check out the [main site](#) and the acclaimed FlashReport Weblog on California politics.*

When California taxpayers are just one day late in paying their taxes to the Board of Equalization (BOE), they are charged 7 percent interest. But if taxpayers mistakenly overpay their taxes this year, they will get zero interest on their refunds. This unjust policy hurts taxpayers, hurts the economy, and perpetuates California's image as an enemy to business.

Prior to 1991, the BOE paid the same interest rate on refunds that it charged on late payments. But 1991 was a tough budget year, and legislators decided to lower the refund rate to help close a \$14 billion deficit.

The BOE was targeted because of a 1990 court decision that entitled federal government contractors to claim refunds on certain sales tax payments. These refunds would have included a large amount of interest. By cutting the interest rate on refunds, the state was able to keep a substantial amount of money.

Fifteen bills to correct this unjust disparity have been introduced since 1991. Twelve of those bills have received the unanimous and bipartisan support of BOE members. However, the Legislature has killed all except for two of them. Governor Pete Wilson, who signed the budget package that created this disparity, vetoed a 1992 bill that would have corrected it.

This afternoon, AB 2048 (Donnelly), the 12th interest equity bill sponsored by the BOE, will be heard in the Assembly Committee on Revenue and Taxation. I urge committee members to support this sensible, bipartisan, reform.

California's twenty-one year experiment in unscrupulous lending has hurt taxpayers trying their best to comply with the state's complicated tax laws. And it's not only businesses that are hurt, but also government agencies that are required to pay one or more of the 27 different taxes and fees administered by

the BOE.

The BOE estimates that for the 2012-13 fiscal year, approximately \$31 million in interest will be paid to taxpayers who inadvertently overpay their taxes and fees. That \$31 million will help small business owners, who accidentally paid too much in taxes, keep their doors open and their employees working.

This proposal doesn't mean taxpayers will be able to intentionally overpay their taxes and expect interest in return. There are already safeguards in the law to prevent businesses from intentionally overpaying their taxes in order to pocket the interest.

BOE members have taken the first step for interest equity, but we cannot do it alone. It was a legislative decision to end interest equity at the BOE, and it is in the Legislature's power to restore it.

As we face yet another year with a failed budget and growing deficits, lawmakers must remember that their decisions are not made in a vacuum; they affect the lives of every Californian who has to pay for the costs and live with the consequences of legislation. Above all, it is the duty of a public servant to serve the public fairly and equitably.

There is simply no justification for interest rate inequity, and AB 2048 will put an end to it. We've done our job, now it's the Legislature's turn to serve the public and end this unfairness.